

BEFORE THE TAX COMMISSION OF THE STATE OF IDAHO

In the Matter of the Protest of)	
)	DOCKET NO. 19665
[REDACTED],)	
)	DECISION
Petitioner.)	
_____)	

This case arises from a timely protest of a State Tax Commission staff decision adjusting the property tax reduction benefit for 2006. This matter was submitted for a decision based on the documents in the file. The State Tax Commission has reviewed the file and makes its decision based on the contents of that file.

All property within the jurisdiction of this state is subject to property tax. A property tax reduction benefit is available to certain qualifying individuals. The benefit is in the form of a payment (either total or partial) of the applicant's property tax on the dwelling he/she owns and occupies. The payment is funded by state sales tax. The amount of property tax reduction depends on income--the greater the income, the smaller the benefit.

[Redacted] (petitioner) filed an application for the property tax reduction benefit [Redacted] on March 14, 2006. The application showed federal adjusted gross income of \$5,297 and social security of \$9,456 less medical expenses of \$2,539. The petitioner's 2004 federal individual income tax return was attached. The return showed the reporting year began on March 1, 2004, and ended on February 28, 2005.

The staff sent the petitioner a notice advising her of the intent to deny her benefit because the income information was incomplete. The petitioner protested the intended action, and her file was transferred to the Legal/Tax Policy Division for administrative review.

Income for property tax reduction benefit purposes is defined in Idaho Code § 63-701(5):

(5) "Income" means the sum of federal adjusted gross income as defined in the Internal Revenue Code, as defined in section 63-3004, Idaho Code, and to the extent not already included in federal adjusted gross income:

- (a) Alimony;
- (b) Support money;
- (c) Nontaxable strike benefits;
- (d) The nontaxable amount of any individual retirement account, pension or annuity, (including railroad retirement benefits, all payments received under the federal social security act except the social security death benefit as specified in this subsection, state unemployment insurance laws, and veterans disability pensions and compensation, excluding any return of principal paid by the recipient of an annuity and excluding rollovers as provided in section 402 or 403 of the Internal Revenue Code);
- (e) Nontaxable interest received from the federal government or any of its instrumentalities or a state government or any of its instrumentalities;
- (f) Worker's compensation; and
- (g) The gross amount of loss of earnings insurance.

It does not include gifts from nongovernmental sources or inheritances. To the extent not reimbursed, the cost of medical care as defined in section 213(d) of the Internal Revenue Code, incurred or paid by the claimant and, if married, the claimant's spouse, may be deducted from income. To the extent not reimbursed, personal funeral expenses, including prepaid funeral expenses and premiums on funeral insurance, of the claimant and claimant's spouse only, may be deducted from income up to an annual maximum of five thousand dollars (\$5,000) per claim. "Income" does not include veterans disability pensions received by a person described in subsection (1)(e) who is a claimant or a claimant's spouse if the disability pension is received pursuant to a service-connected disability of a degree of forty percent (40%) or more. "Income" does not include dependency and indemnity compensation or death benefits paid to a person described in subsection (1) of this section by the United States department of veterans affairs and arising from a service-connected death or disability. "Income" does not include lump sum death benefits made by the social security administration pursuant to 42 U.S.C. section 402(i). Documentation of medical expenses may be required by the county assessor, board of equalization and state tax commission in such form as the county assessor, board of equalization or state tax commission shall determine. **"Income" shall**

be that received in the calendar year immediately preceding the year in which a claim is filed. Where a claimant and/or the claimant's spouse does not file a federal tax return, the claimant's and/or the claimant's spouse's federal adjusted gross income, for purposes of this section, shall be an income equivalent to federal adjusted gross income had the claimant and/or the claimant's spouse filed a federal tax return, as determined by the county assessor. The county assessor, board of equalization or state tax commission may require documentation of income in such form as each shall determine, including, but not limited to: copies of federal or state tax returns and any attachments thereto; and income reporting forms such as the W2 and 1099. (Emphasis added.)

For property tax reduction benefit purposes, the calculation of income starts with the preceding **calendar** year's federal adjusted gross income and, thereafter, makes certain additions and deductions. The return submitted with the application included only two months of the petitioner's 2005 calendar year income.

In the letter of appeal (signed by both the petitioner and her accountant), was a breakdown of the figures reported for the fiscal year to arrive at the federal adjusted gross income equivalent for the calendar year 2005. The figures did not match the amount of federal adjusted gross income reported in the petitioner's application and did not match the figures reported in the income tax return submitted with the application. However, the federal income tax return on file with the State Tax Commission for the period of March 1, 2005, through February 28, 2006, supports the figures and the explanation provided by the petitioner's accountant.

The State Tax Commission finds the petitioner submitted the wrong federal income tax return with her application and used the amount in that return to report her federal adjusted gross income for 2005. The accountant's explanation and figures match the petitioner's federal return for the period of March 1, 2005, through February 28, 2006.

The petitioner's federal adjusted gross income for calendar year 2005 of \$9,221 plus social security of \$9,456 less medical expenses of \$2,539 qualifies the petitioner to receive a 2006 property tax reduction benefit of an amount not to exceed \$960.

WHEREFORE, the Intent to Deny Property Tax Reduction Benefit letter dated August 29, 2006, is hereby MODIFIED and, as so modified, is APPROVED, AFFIRMED, and MADE FINAL.

An explanation of the petitioner's right to appeal this decision is included with this decision.

DATED this _____ day of _____, 2006.

IDAHO STATE TAX COMMISSION

COMMISSIONER

CERTIFICATE OF SERVICE

I hereby certify that on this _____ day of _____, 2006, a copy of the within and foregoing DECISION was served by sending the same by United States mail, postage prepaid, in an envelope addressed to:

[REDACTED]

Receipt No.
